

MONTANA LEGISLATIVE HISTORY

Chapter 662 19 87

Bill H _____ S 228

Original bill & history ✓c

H. Committee on Taxation

Hearing Date(s) 3-30 ✓c

4-9 ✓c

_____ c

_____ c

Date Out _____ c

S. Committee on Taxation

Hearing Date(s) 2-3 ✓c

2-4 ✓c

2-5 —c

3-10 ✓c

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____

Report _____

SENATE FINAL STATUS

PLACED ON 2ND READING
 3/30 2ND READING CONCURRED AS AMENDED 95 0
 3/30 3RD READING CONCURRED 96 0
 RETURNED TO SENATE WITH AMENDMENTS
 4/03 2ND READING AMENDMENTS CONCURRED 50 0
 4/04 3RD READING AMENDMENTS CONCURRED 49 0
 4/09 SIGNED BY PRESIDENT
 4/10 SIGNED BY SPEAKER
 4/10 TRANSMITTED TO GOVERNOR
 4/15 SIGNED BY GOVERNOR
 CHAPTER NUMBER 475
 CHAPTER NUMBER 475 EFFECTIVE DATE: 10/01/87

SB 227 INTRODUCED BY HAFFEY
 CLARIFY ENCUMBRANCE ON APPROPRIATION BY INTERAGENCY
 AGREEMENT
 BY REQUEST OF DEPARTMENT OF ADMINISTRATION

1/27 INTRODUCED
 1/27 REFERRED TO FINANCE & CLAIMS
 2/13 HEARING
 2/16 COMMITTEE REPORT--BILL PASSED
 2/18 2ND READING PASSED 50 0
 2/20 3RD READING PASSED 49 0

TRANSMITTED TO HOUSE
 2/23 REFERRED TO APPROPRIATIONS
 3/02 COMMITTEE REPORT--BILL CONCURRED
 3/03 2ND READING CONCURRED 91 4
 3/04 3RD READING CONCURRED 90 6

RETURNED TO SENATE
 3/07 SIGNED BY PRESIDENT
 3/09 SIGNED BY SPEAKER

3/09 TRANSMITTED TO GOVERNOR
 3/13 SIGNED BY GOVERNOR
 CHAPTER NUMBER 60 EFFECTIVE DATE: 3/13/87

SB 228 INTRODUCED BY VAN VALKENBURG
 REVISE ALLOCATION OF COAL SEVERANCE TAX PROCEEDS
 BY REQUEST OF GOVERNOR

1/26 INTRODUCED
 1/26 REFERRED TO TAXATION
 1/27 FISCAL NOTE REQUESTED
 2/03 HEARING
 2/03 FISCAL NOTE RECEIVED
 3/10 COMMITTEE REPORT--BILL PASSED AS AMENDED
 3/11 2ND READING PASSED 38 11
 3/13 3RD READING PASSED 38 12

TRANSMITTED TO HOUSE
 3/13 REFERRED TO TAXATION
 3/30 HEARING
 4/09 COMMITTEE REPORT--BILL CONCURRED AS AMENDED
 4/22 2ND READING CONCURRED AS AMENDED 73 26
 4/23 3RD READING CONCURRED 67 32
 4/24 TAKEN FROM SPEAKER'S DESK AND PLACED
 ON 2ND READING
 4/24 2ND READING CONCURRED 67 27
 4/24 3RD READING CONCURRED 67 32

SENATE FINAL STATUS

RETURNED TO SENATE WITH AMENDMENTS
 4/24 2ND READING AMENDMENTS CONCURRED 37 13
 4/24 3RD READING AMENDMENTS CONCURRED 36 12
 5/01 SIGNED BY PRESIDENT
 5/01 SIGNED BY SPEAKER
 5/01 TRANSMITTED TO GOVERNOR
 5/22 SIGNED BY GOVERNOR
 CHAPTER NUMBER 662
 SECTIONS 2, 8, 14, 15 -- EFFECTIVE DATE: 5/22/87
 SECTIONS 1, 3-7, 9-13 -- EFFECTIVE DATE: 7/01/87

SB 229 INTRODUCED BY MAZUREK
 PROHIBIT COURT-ORDERED PLACEMENT IN COMMUNITY-BASED
 SERVICES
 BY REQUEST OF DEPARTMENT OF SOCIAL &
 REHABILITATION SERVICES

1/27 INTRODUCED
 1/27 REFERRED TO JUDICIARY
 2/10 HEARING
 2/17 COMMITTEE REPORT--BILL PASSED AS AMENDED
 2/19 2ND READING PASSED 48 0
 2/21 3RD READING PASSED 49 0

TRANSMITTED TO HOUSE
 2/23 REFERRED TO JUDICIARY
 3/03 HEARING
 3/03 COMMITTEE REPORT--BILL CONCURRED
 3/05 REREFERRED TO JUDICIARY
 3/12 HEARING
 3/27 COMMITTEE REPORT--BILL CONCURRED
 3/30 2ND READING CONCURRED 83 11
 3/30 3RD READING CONCURRED 82 13

RETURNED TO SENATE
 4/03 SIGNED BY PRESIDENT
 4/04 SIGNED BY SPEAKER

4/04 TRANSMITTED TO GOVERNOR
 4/09 SIGNED BY GOVERNOR
 CHAPTER NUMBER 417 EFFECTIVE DATE: 4/09/87

SB 230 INTRODUCED BY HIMSL, BARDANOUVE, VAN VALKENBURG, ET AL.
 PROVIDING FOR A BOND ALLOCATION ACT
 BY REQUEST OF DEPARTMENT OF ADMINISTRATION

1/27 INTRODUCED
 1/27 REFERRED TO STATE ADMINISTRATION
 1/30 HEARING
 1/31 COMMITTEE REPORT--BILL PASSED AS AMENDED
 2/04 2ND READING PASSED 50 0
 2/06 3RD READING PASSED 49 0

TRANSMITTED TO HOUSE
 2/11 REFERRED TO STATE ADMINISTRATION
 3/10 HEARING
 3/10 COMMITTEE REPORT--BILL CONCURRED
 3/13 2ND READING CONCURRED 94 3
 3/14 3RD READING CONCURRED 94 3

RETURNED TO SENATE
 3/19 SIGNED BY PRESIDENT

1 *Sen. Van Valkenburg* BILL NO. *228*

2 INTRODUCED BY *Sen. Van Valkenburg*

3 BY REQUEST OF THE GOVERNOR

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE FOR
6 FISCAL YEARS 1987, 1988, AND 1989 THE ALLOCATION OF THAT
7 PORTION OF THE COAL SEVERANCE TAX PROCEEDS AND INTEREST NOT
8 CONSTITUTIONALLY DEDICATED TO THE PERMANENT TRUST; CREATING
9 SEPARATE LOCAL IMPACT AND EDUCATION TRUST ACCOUNTS; AMENDING
10 SECTIONS 15-35-108, 17-5-704, 20-9-343, 90-2-124, 90-6-202,
11 90-6-205, 90-6-207, AND 90-6-211, MCA; AND PROVIDING
12 APPLICABILITY DATES AND AN IMMEDIATE EFFECTIVE DATE."

13
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Section 15-35-108, MCA, is amended to read:

16 "15-35-108. Disposal of severance taxes. Severance
17 taxes collected under the provisions of this chapter are
18 allocated as follows:

19 (1) To the trust fund created by Article IX, section
20 5, of the Montana constitution, 50% of total coal severance
21 tax collections. The trust fund moneys shall be deposited
22 in the fund established under 17-6-203(5) and invested by
23 the board of investments as provided by law.

24 (2) ~~Starting--July--17--1986--and--ending--June--30--1987,~~
25 ~~6%--of--coal--severance--tax--collections--are--allocated--to--the~~

1 highway--reconstruction--trust--fund--account--in--the--state
2 special-revenue-fund; Starting July 1, 1987, and ending June
3 30, 1993, 12% of coal severance tax collections are
4 allocated to the highway reconstruction trust fund account
5 in the state special revenue fund.

6 (3) Coal severance tax collections remaining after the
7 allocations provided by subsections (1) and (2) are
8 allocated in the following percentages of the remaining
9 balance:

10 (a) ~~2-1/2% until July 17, 1987, and thereafter~~ 4 1/2%
11 to the state special revenue fund to the credit of the
12 alternative energy research development and demonstration
13 account;

14 (b) 6% 3.3% until July 17, 1987, June 30, 1989, to the
15 state special revenue fund to the credit of the local impact
16 account and thereafter 37-1/2% 20% to the state special
17 revenue fund to the credit of the local impact and education
18 trust fund account and 17.5% to the credit of the local
19 impact account. Unencumbered funds remaining in the local
20 impact account at the end of each biennium are allocated to
21 the education trust fund account;

22 (c) ~~30% 44.2%~~ until July 17, 1987 June 30, 1989, and
23 thereafter 10% to the state special revenue fund for state
24 equalization aid to public schools of the state;

25 (d) 1% to the state special revenue fund to the credit

1 of the county land planning account;

2 (e) 1 1/4% to the credit of the renewable resource
3 development bond fund;

4 (f) ~~starting--July--17--1986--and--ending--June--30--1989--~~
5 ~~5%--to--the--general--fund--and~~ after June 30, 1989, 5% to a
6 nonexpendable trust fund for the purpose of parks
7 acquisition or management, protection of works of art in the
8 state capitol, and other cultural and aesthetic projects.
9 Income from this trust fund shall be appropriated as
10 follows:

11 (i) 1/3 for protection of works of art in the state
12 capitol and other cultural and aesthetic projects; and

13 (ii) 2/3 for the acquisition, development, operation,
14 and maintenance of any sites and areas described in
15 23-1-102;

16 (g) 1% to the state special revenue fund to the credit
17 of the state library commission for the purposes of
18 providing basic library services for the residents of all
19 counties through library federations and for payment of the
20 costs of participating in regional and national networking;

21 (h) 1/2 of 1% to the state special revenue fund for
22 conservation districts;

23 (i) 1 1/4% to the debt service fund type to the credit
24 of the water development debt service fund;

25 ~~{j}--4%--until--July--17--1987--to--the--highway~~

1 ~~reconstruction--trust--fund--account--in--the--state--special~~
2 ~~revenue--fund;~~

3 ~~{k}{j}~~ all other revenues from severance taxes
4 collected under the provisions of this chapter to the credit
5 of the general fund of the state."

6 Section 2. Section 17-5-704, MCA, is amended to read:

7 "17-5-704. Investment of funds. (1) Money in the coal
8 severance tax bond fund, the coal severance tax permanent
9 fund, and the coal severance tax income fund must be
10 invested in accordance with the investment standards for
11 coal severance tax funds except as provided in subsection
12 (2). Income and earnings from all funds must be transferred
13 to and retained in the coal severance tax income fund until
14 appropriated by the legislature.

15 (2) Beginning on July 1, 1983 1990, the legislature
16 shall appropriate 15% of the income and earnings from all
17 funds to be deposited to the coal severance tax permanent
18 fund each year. The funds appropriated to the coal
19 severance tax permanent fund under this subsection may not
20 be further appropriated except by vote of three-fourths of
21 the members of each house of the legislature."

22 Section 3. Section 20-9-343, MCA, is amended to read:

23 "20-9-343. Definition of and revenue for state
24 equalization aid. (1) As used in this title, the term "state
25 equalization aid" means those moneys deposited in the state

1 special revenue fund as required in this section plus any
2 legislative appropriation of ~~moneys~~ money from other sources
3 for distribution to the public schools for the purpose of
4 equalization of the foundation program.

5 (2) The legislative appropriation for state
6 equalization aid shall be made in a single sum for the
7 biennium. The superintendent of public instruction has
8 authority to spend such appropriation, together with the
9 earmarked revenues provided in subsection (3), as required
10 for foundation program purposes throughout the biennium.

11 (3) The following shall be paid into the state special
12 revenue fund for state equalization aid to public schools of
13 the state:

14 (a) 25% of all ~~moneys~~ money received from the
15 collection of income taxes under chapter 30 of Title 15;

16 (b) 25% of all ~~moneys~~ money, except as provided in
17 15-31-702, received from the collection of corporation
18 license taxes under chapter 31 of Title 15, as provided by
19 15-1-501;

20 (c) ~~10% 100%~~ of the ~~moneys-received~~ money allocated to
21 state equalization from the collection of the severance tax
22 on coal ~~under chapter 35 of Title 15~~;

23 (d) 100% of the ~~moneys~~ money received from the
24 treasurer of the United States as the state's shares of oil,
25 gas, and other mineral royalties under the federal Mineral

1 Lands Leasing Act, as amended;

2 (e) interest and income ~~moneys~~ money described in
3 20-9-341 and 20-9-342;

4 (f) income from the ~~local-impact-and~~ education trust
5 fund account; and

6 (g) in addition to these revenues, the surplus
7 revenues collected by the counties for foundation program
8 support according to 20-9-331 and 20-9-333 shall be paid
9 into the same state special revenue fund.

10 (4) Any surplus revenue in the state equalization aid
11 account in the second year of a biennium may be used to
12 reduce the appropriation required for the next succeeding
13 biennium [or may be transferred to the state permissive
14 account if revenues in that fund are insufficient to meet
15 the state's permissive amount obligation]."

16 Section 4. Section 90-2-124, MCA, is amended to read:

17 "90-2-124. Appropriation of coal severance tax. The
18 state pledges and appropriates and directs to be credited to
19 the debt service fund, ~~as received, 1-1/4% of all money from~~
20 ~~time-to-time-received-from-the-collection-of-the---severance~~
21 ~~tax--and-remaining-after-allocation-of-such-tax-to-the-trust~~
22 ~~fund-established-under-section-57-Article-IX, of the Montana~~
23 ~~constitution allocated to the renewable resource development~~
24 ~~bond fund by 15-35-108~~ and such additional amount thereof,
25 if any, as may be required from time to time to provide

sufficient funds for the purposes stated in 90-2-123(2);
provided--that--no--more--than--1-1/4%--of--such--tax--collections
shall--be--deemed--to--be--pledged--for--the--purpose--of
90-2-121(3)."

Section 5. Section 90-6-202, MCA, is amended to read:

"90-6-202. Accounts established. (1) There is within
the state special revenue fund a local impact and education
trust fund account. Moneys are payable into this account
under 15-35-108. The state treasurer shall draw warrants
from this account upon order of the coal board.

(2) There is within the state special revenue fund a
coal area highway improvement account.

(3) There is within the nonexpendable trust fund an
education trust fund account."

Section 6. Section 90-6-205, MCA, is amended to read:

"90-6-205. (Temporary) Coal board -- general powers.
The board may:

(1) retain professional consultants and advisors;

(2) adopt rules governing its proceedings;

(3) consider applications for grants from the local
impact and education trust fund account;

(4) consider applications for loans from the local
impact and education trust fund account for periods and
interest rates to be determined by the board; and

(5) award grants and loans, subject to 90-6-207, not

to exceed in any one year the revenue paid into the local
impact and education trust fund account, less the
appropriation provided in section 17, Chapter 57, Special Laws
of June 1986; After June 30, 1987, the board may not exceed
in any one year seven fifteenths of the revenue paid into
the local impact and education trust fund account. The
board may award grants and loans from the local impact
account:

(a) to local governmental units, state agencies, and
governing bodies of federally recognized Indian tribes to
assist local governmental units and federally recognized
Indian tribes in meeting the local impact of coal
development by enabling them to adequately provide
governmental services and facilities which are needed as a
direct consequence of coal development; and

(b) notwithstanding the provisions of 90-6-207, to the
department of highways established in 2-15-2501 to expedite
the construction, repair, and maintenance of deficient
sections of highway within the area designated in 90-6-210
if the deficiency is the direct result of increased traffic
accompanying the development of coal resources; and

~~(c) provided that as used in this subsection (5),
"revenue paid" does not include interest income from the
account reinvested in the account in trust for the public
schools and the university system; Grants and loans may be~~

~~from--current--allocations--only--and--no--part--of--the--principal
or--income--of--the--trust--referred--to--in--90-6-211--may--be--used
for--this--purpose--The--money--derived--from--loan--repayments,
including--the--interest--thereon--must--be--deposited--to--the
credit--of--the--local--impact--fund--referred--to--in--90-6-202.~~

(6) award a grant to a local government unit for the purpose of paying for part or all of the credit that the local government unit is obligated to give to a major new industrial facility that has prepaid property taxes under 15-16-201. The board must award the grant in accordance with 90-6-206.

90-6-205. (Effective July 1, 1987) Coal board -- general powers. The board may:

(1) retain professional consultants and advisors;

(2) adopt rules governing its proceedings;

(3) consider applications for grants from the local impact and education trust fund account;

(4) consider applications for loans from the local impact and education trust fund account for periods and interest rates to be determined by the board; and

(5) award grants and loans, subject to 90-6-207, not to exceed in any one year seven-elevenths and after June 30, 1979, seven-fifteenths of the revenue paid into the local impact and education trust fund account from the local impact account:

(a) to local governmental units, state agencies, and governing bodies of federally recognized Indian tribes to assist local governmental units and federally recognized Indian tribes in meeting the local impact of coal development by enabling them to adequately provide governmental services and facilities which are needed as a direct consequence of coal development; and

(b) notwithstanding the provisions of 90-6-207, to the department of highways established in 2-15-2501 to expedite the construction, repair, and maintenance of deficient sections of highway within the area designated in 90-6-210 if the deficiency is the direct result of increased traffic accompanying the development of coal resources; and

~~(c)--provided--that--as--used--in--this--subsection--(5),
"revenue--paid"--does--not--include--interest--income--from--the
account--reinvested--in--the--account--in--trust--for--the--public
schools--and--the--university--system--Grants--and--loans--may--be
from--current--allocations--only--and--no--part--of--the--principal
or--income--of--the--trust--referred--to--in--90-6-211--may--be--used
for--this--purpose--The--money--derived--from--loan--repayments,
including--the--interest--thereon--must--be--deposited--to--the
credit--of--the--local--impact--fund--referred--to--in--90-6-202.~~

(6) award a grant to a local government unit for the purpose of paying for part or all of the credit that the local government unit is obligated to give to a major new

1 industrial facility that has prepaid property taxes under
2 15-16-201. The board must award the grant in accordance with
3 90-6-206."

4 Section 7. Section 90-6-207, MCA, is amended to read:
5 "90-6-207. Priorities for impact grants. (1) The
6 department of commerce shall annually designate:

7 (a) each county, incorporated city and town, school
8 district, and other governmental unit which has had or
9 expects to have as a result of the impact of coal
10 development a net increase in estimated population of at
11 least 10% over one of the 3-year periods specified in
12 subsection (4);

13 (b) each county and all local governmental units
14 within each county in which:

15 (i) a mining permit in accordance with the Montana
16 Strip and Underground Mine Reclamation Act has been granted
17 by the department of state lands for a project within the
18 county that will establish a new coal mine to produce at
19 least 1 million tons a year or that will increase the
20 production of an existing mine by at least 1 million tons a
21 year and for which the department of commerce determines
22 that the new or expanded production authorized by the permit
23 will commence within 3 years of the designation; or

24 (ii) a certificate of environmental compatibility and
25 public need in accordance with the Montana Major Facility

1 Siting Act has been granted by the board of natural
2 resources and conservation for a steam-generating or other
3 coal-burning facility that will consume at least 1 million
4 tons a year of Montana-mined coal and for which the
5 department of commerce determines the construction or
6 operation will commence within 3 years of the designation;

7 (c) each local governmental unit located within 50
8 miles, measured over the shortest all-weather public road,
9 of a mine or facility qualifying under subsection (1)(b)(i)
10 or (1)(b)(ii); and

11 (d) each local governmental unit in which:
12 (i) a mine that has produced 1 million tons or more of
13 coal a year and has ceased all significant mining or is
14 scheduled to cease within 1 year; or

15 (ii) a steam-generating or other coal-burning facility
16 that has operated under a certificate of environmental
17 compatibility and public need in accordance with the Montana
18 Major Facility Siting Act and that has consumed at least 1
19 million tons of Montana-mined coal a year has closed or is
20 scheduled to close within 1 year.

21 (2) Designation under subsection (1) of:

22 (a) any local governmental unit extends to and
23 includes as a designated unit the county in which it is
24 located; and

25 (b) a county extends to and includes as a designated

unit any local governmental unit in the county that contains at least 10% of the total population of the county.

(3) Except as provided in 90-6-205(5)(b), the coal board shall, subject to the appropriations of the legislature, award at least 50% of all grants awarded to governmental units and state agencies for meeting the needs caused by coal development each year to these designated governmental units.

(4) For the purposes of subsection (1), the department of commerce shall use five 3-year periods as follows:

(a) one consecutive 3-year period ending 2 calendar years prior to the current calendar year;

(b) one consecutive 3-year period ending 1 calendar year prior to the current calendar year;

(c) one consecutive 3-year period ending with the current calendar year;

(d) one consecutive 3-year period ending 1 calendar year after the current calendar year; and

(e) one consecutive 3-year period ending 2 calendar years after the current calendar year.

(5) Attention should be given by the coal board to the need for community planning before the full impact is realized. Applicants should be able to show how their request reasonably fits into an overall plan for the orderly management of the existing or contemplated growth problems.

(6) All funds placed in the local impact and ~~educational-trust-fund~~ account established under this part, ~~subject--to--the--limitations--imposed-by-90-6-211,~~ shall be subject to appropriations by the legislature for use related to local impact ~~or-for-transfer-to--a--permanent--trust--for~~ education."

Section 8. Section 90-6-211, MCA, is amended to read:

"90-6-211. Disposition of interest from unexpended balance -- education trust. The unexpended balance in the ~~local-impact-and~~ education trust fund account shall be invested as provided by statute by the board of investments. Of the income from such investments each year 10% shall be paid into the state special revenue fund for use by the superintendent of public instruction for purposes of the postsecondary vocational-technical centers and adult basic education programs in the state, subject to the budgeting authority of the legislature. Within the account under 20-9-513, the revenue is shared between the postsecondary vocational-technical centers and the adult basic education programs. Of the remaining 90% of the income from such investments, three-fourths shall be annually paid into the state special revenue fund for state equalization aid to public schools of the state and one-fourth each year shall be paid to the board of regents of higher education for use by the institutions of higher learning in the state, subject

to the budgeting authority of the legislature. ~~Except--as provided--in--90-6-205(5),--the~~ The principal of the local impact-and education trust fund shall be dedicated to education and forever remain inviolate and sacred to this purpose as provided in sections 3 and 10 of Article X of the Montana constitution."

NEW SECTION. Section 9. Local impact account -- disposition of loan repayments, interest, and unexpended balances. (1) The money derived from loans made pursuant to this part, including interest thereon, must be deposited to the credit of the local impact account created in 90-6-202.

(2) The unexpended money in the local impact account must be invested by the board of investments as provided by statute. Interest and earnings must be deposited to the credit of the education trust fund account.

(3) The unexpended balance in the local impact account at the end of each biennium must be deposited to the credit of the education trust fund account.

NEW SECTION. Section 10. Extension of authority. Any existing authority of the office of public instruction, the board of education, or the coal board to make rules on the subject of the provisions of this act is extended to the provisions of this act.

NEW SECTION. Section 11. Codification instruction. Section 9 is intended to be codified as an integral part of

Title 90, chapter 6, part 2, and the provisions of Title 90, chapter 6, part 2, apply to section 9.

NEW SECTION. Section 12. Severability. If a part of this act is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of this act is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 13. Applicability. (1) Sections 1 and 3 through 9 apply to coal mined after March 31, 1986, and before July 1, 1989, and to the severance tax revenues derived from that coal.

(2) Section 2 is applicable to interest and income earned after June 30, 1986, and before July 1, 1989.

NEW SECTION. Section 14. Effective date. This act is effective on passage and approval.

-End-

In compliance with a written request, there is hereby submitted a Fiscal Note for SB228, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act to generally revise for FY87, FY88, and FY89 the allocation of that portion of the coal severance tax proceeds and interest not constitutionally dedicated to the permanent trust; creating separate Local Impact and Education Trust accounts; providing applicability dates and an immediate effective date.

ASSUMPTIONS:

1. Allocation effects are based on Revenue Estimating Advisory Council (REAC) assumptions of coal severance tax revenues of \$78,663,000 in FY88 and \$81,856,000 in FY89.

FISCAL IMPACT:

Under the proposed legislation revenue allocated to the Local Impact, Education Trust, and School Equalization accounts would be reallocated as follows:

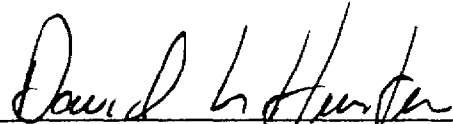
	FY88			FY89		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Local Impact	\$ 5,231,000	\$ 983,000	(\$ 4,248,000)	\$ 5,443,000	\$ 1,023,000	(\$ 4,420,000)
Education Trust	5,978,000	0	(5,978,000)	6,221,000	0	(6,221,000)
School Equalization	2,989,000	13,215,000	10,226,000	3,111,000	13,752,000	10,641,000
TOTAL	\$14,198,000	\$14,198,000	\$ 0	\$14,775,000	\$ 14,775,000	\$ 0

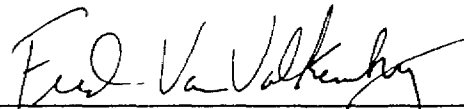
In addition, the proposed legislation would change the current allocation of 15% of the income and earnings from all coal severance tax funds from being deposited in the permanent trust fund to being deposited in the general fund for all interest and earnings earned after June 30, 1986. This is estimated to increase deposits to the general fund by \$5.932 million in FY87, \$5.482 million in FY88, and \$6.054 in FY89. Deposits to the permanent trust fund would fall by an equal amount in each of these years.

The net general fund impact of this legislation is \$38.335M.

TECHNICAL OR MECHANICAL DEFECTS IN PROPOSED LEGISLATION OR CONFLICTS WITH EXISTING LEGISLATION:

As introduced, the coal tax allocation to Highways for FY87 is repealed on passage and approval. An adjustment is needed to clarify that funds will continue to be deposited to the highway account.

 DATE 2/2/87
DAVID L. HUNTER, BUDGET DIRECTOR
Office of Budget and Program Planning

 DATE 2/2/86
FRED VAN VALKENBURG, PRIMARY SPONSOR

Fiscal Note for SB228, as introduced.

SB 228

CHAIRMAN--SEN. GEORGE MCCALLUM
NORMAL SCHEDULE==> SITE: ROOM 413/415

DAYS: MON THRU FRI

TIME: 8:00 A.M.

SECRETARY--AGGIE HAMILTON

---BILL NO---	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
SB0162	1/20	1/31		PASS AS AMENDED		2/11
MAZUREK, JOSEPH P.			GENERAL REVISION OF PROPERTY TAX COLLECTION, DELINQUENCY, AND DEED PROCESS			
SB0183	1/21	2/02		PASS AS AMENDED		2/21
REGAN, PAT			PROVIDE RETIREMENT EQUALIZATION AID TO COUNTIES FOR SCHOOL DISTRICTS			
SB0192	1/21	2/04		ADVERSE REPORT		2/10
BOYLAN, PAUL F.			REDUCE PROPERTY VALUATION TO PRICE OFFERED FOR SALE & EQUALIZE ACCORDINGLY			
SB0200	1/23	1/30	2/3	PASS AS AMENDED		2/11
SMITH, ED B.			REPLACE VEHICLE FEE SYSTEM WITH A PROPERTY TAX AT RATE OF 2% OF VALUE			
SB0224	1/27	2/03		PASS AS AMENDED		2/7
ECK, DOROTHY			CHANGING THE EVAPORATION ALLOWANCE FOR GASOLINE DISTRIBUTORS' LICENSE TAX			
SB0228	1/26	2/03	2/4, 2/5	PASS AS AMENDED		3/10
VAN VALKENBURG, FRED			REVISE ALLOCATION OF COAL SEVERANCE TAX PROCEEDS			
SB0266	2/02	2/05	2/5	PASS AS AMENDED		2/10
VAN VALKENBURG, FRED			AUTHORIZE ON-PREMISE CONSUMPTION AT WINERY WITHOUT CHARGE			
SB0307	2/06	2/16, 2/17, 2/18, 2/19, 2/24	3/3, 3/13, 4/9	DO PASS ~~CONC~~ AS AMENDED		4/10
CRIPPEN, BRUCE D.			MONTANA ECONOMIC AND TAX REFORM ACT OF 1987, A.K.A. GODZILLA			
SB0309	2/06	2/10		PASS AS AMENDED		2/11
MAZUREK, JOSEPH P.			REVISING PROPERTY ASSESSMENT FOR STREET MAINTENANCE DISTRICTS			
SB0310	2/06	2/13		TABLED 3/13		
MAZUREK, JOSEPH P.			PROVIDE LOCAL OPTION INCOME TAX WITH VOTER APPROVAL -- PROPERTY TAX RELIEF			
SB0312	2/10	3/04		TABLED 3/6		
BROWN, ROBERT J.			10¢ INCREASE IN CIGARETTE TAX TO EQUALIZE PART OF TEACHER RETIREMENT LEVY			

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

February 3, 1987

The fifteenth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on February 3, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF SB 228: Senator Van Valkenburg, Senate District 30, presented this bill to the committee. He said this bill would revise the allocation of that portion of the coal severance tax proceeds and interest which does not go into the permanent trust fund. It has a general fund impact during the coming biennium of around \$38 million. It would reduce the allocation to the education trust and local impact account. The money that would otherwise go into the educational trust, would be transferred to the school foundation program and the money that would otherwise go into the local impact account is reduced by \$4.2 million or \$4.4 million each year and that also goes into the school foundation program. This is necessary because of the tremendous need for general fund money in the school foundation program in the coming year to simply meet 0-0 schedules. The net result is that you don't have to spend as much for that particular program from the general fund. This bill also takes the money that had been deposited into the permanent trust fund from the other side, 15% of the interest, and deposits that into the general fund interest going into the general fund. That is worth approximately \$5.5 million in each year of the biennium plus it also has that effect for 1987. He said there is the need for a minor amendment to this bill, see attached Exhibit 1. He said this is a very integral part of the Governor's proposal to balance the budget in this session. This is very similar to action taken in the 1985 session and the special session in June.

PROPONENTS: Tom Crosser, Governor's Budget Office, gave testimony in support of this bill. He said this is an integral part of the Governor's package and we believe it is essential in balancing the current budget in the state. This will generate \$38.5 million by adopting a policy that the legislature has adopted in the past.

He said the 15% interest would deposit \$17.5 million directly into the general fund and the other portion of the deposits, \$21 million approximately, would go into the state equalization account for public education. The public education account is used to finance the foundation program and if the revenues generated to that account are insufficient, the general fund makes up the difference.

Murdo Campbell, Montana Coal Board, gave testimony in support of this bill. He furnished the committee with a resolution adopted by the Coal Board, attached as Exhibit 2.

Bruce Moerer, Montana School Board Association, gave testimony in support of this bill. He said while we do not think it is the most desirable situation, we are not in the most desirable situation. When we are asked the question where are we going to get this money for the foundation program if we don't use this, we do not have a good answer.

OPPONENTS: Eric Feaver, Montana Education Association, gave testimony in opposition to this bill. Again the Governor has proposed, and the legislature has the opportunity to endorse, a cap on the education trust. Clearly the foundation program needs the money but he does not support a cap on the education trust.

QUESTIONS FROM THE COMMITTEE: Senator Eck asked Senator Van Valkenburg if a pay back provision has been considered and how he would react to that idea.

Senator Van Valkenburg said certainly we want to rebuild but he would need to know the source of funding for the pay back before commenting further.

Tom Crosser said he did not believe any consideration was given to a pay back. He said he did not participate directly in the preparation of this legislation. The cap will discontinue at the end of the biennium and the distribution to the education trust does pick up at that point in time.

Senator Van Valkenburg closed.

CONSIDERATION OF SB 224: Senator Eck, Senate District 40, presented this bill to the committee. She said this bill addresses what is an acceptable method of paying gasoline distributors in the state. She furnished the committee with information concerning evaporation and shrinkage and cost of collection allowances provided by various states for motor fuel tax, attached as Exhibit 3. In 1952 the

ROLL CALLTAXATIONCOMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 2-3-87

NAME	PRESENT	ABSENT	EXCUSED
SENATOR CRIPPEN	✓		
SENATOR NEUMAN	✓		
SENATOR SEVERSON	✓		
SENATOR LYBECK	✓		
SENATOR HAGER	✓		
SENATOR MAZUREK	✓		
SENATOR ECK	✓		
SENATOR BROWN	✓		
SENATOR HIRSCH	✓		
SENATOR BISHOP	✓		
SENATOR HALLIGAN, VICE CHAIRMAN	✓		
SENATOR McCALLUM, CHAIRMAN	✓		

Each day attach to minutes.

DATE 2-3-87

COMMITTEE ON Senate Taxation

VISITORS' REGISTER SB 224, SB 228

(Please leave prepared statement with Secretary)

AMENDMENTS TO SB 228
(Introduced Bill)

1. Page 16.
Following: line 2
Insert: "NEW SECTION. Section 12. Coordination instruction. If section 3 of this act and House Bill No. 12 are both passed and approved, the amendment to 20-9-343 (3)(c) contained in House Bill No. 12 is void."
Renumber: subsequent sections
2. Page 16, line 10.
Following: "March 31,"
Strike: "1986"
Insert: "1987"
3. Page 16, line 16.
Following: "approval"
Insert: "or April 1, 1987, whichever occurs later"

SENATE TAXATION

EXHIBIT NO. 1

DATE 2-3-87

BILL NO. SB-228

2-3-87
Senator Van Valkenburg

A RESOLUTION OF THE MONTANA COAL BOARD RECOMMENDING THE DECREASE OF
FUNDING FOR THE IMPACT ASSISTANCE PROGRAM FOR FY '88 AND '89
AND PLACING THESE FUNDS AT THE DISCRETION OF THE GOVERNOR
TO HELP MEET THE STATE'S REVENUE NEEDS

WHEREAS, the Montana Coal board members are duly appointed by, and serve at the pleasure of, the Governor and are confirmed by the Montana Senate; and

WHEREAS, the Montana Coal Board's purpose is to administer the Local Impact Assistance Program; and

WHEREAS, the purpose of the Local Impact Assistance Program is to assist local governmental units which have been required to expand the provision of public services as a consequence of large scale coal development; and

WHEREAS, the Montana Coal Board believes the impact of decline issue is a future major concern, and a provision for its consideration should be adequately addressed to resolve this vital issue; and

WHEREAS, the Montana Coal Board shall award grants and loans from the revenue paid into the Local Impact and Education Trust Fund Account for FY '88 and FY '89; and

WHEREAS, the Montana Coal Board's obligation to assist the local governments in Montana impacted by large scale coal development has lessened due to the current reduction in coal production due to various nationwide and worldwide economic factors; and

WHEREAS, the Montana Coal Board is statutorily mandated to meet quarterly during FY '88; and FY '89 and is obligated for a final single payment of \$712,650 to the Yellowstone County jail project from FY '88 funds; and anticipates future consideration of viable funding requests for continuation of ongoing projects and programs; and

WHEREAS, the Montana Coal Board recognizes the very real need for revenue to supplement the state general fund during the coming biennium.

NOW, THEREFORE, BE IT RESOLVED, that the Montana Coal Board recommend that the Governor propose a decrease in the amount of funding available to the Coal Board from 6.65% to 1.25% which will provide approximately \$4.6 million for FY '88 and \$4.7 million for FY '89, for a total of \$9.3 million of relief for the general fund, for use in facing anticipated revenue shortfalls in the upcoming biennium.

SENATE TAXATION

EXHIBIT NO. 2

DATE 2-3-87

BILL NO. SB-228

The remaining projected receipts available to the Coal Board will be \$1.8 million to fund current obligations and to consider future grant requests.

PASSED, ADOPTED, AND APPROVED by the Montana Coal Board on this 21st day of November, 1986.

MONTANA COAL BOARD

HERSHEL M. ROBBINS, Chairman

NELL KUBESH, Vice-Chairman

DARCY GALASSO

JACK G. STEVENS

MONTY LONG

DR. PAUL PALM

DR. DALE TASH

Senator Neuman said it appears to him that we are looking at SB 44 as an offset to the fuel tax increase. He said essentially what we are doing with this bill is reducing the revenues to the county, whereas the fuel tax comes to the state. We are hitting the counties for the effect of the fuel tax and putting this reduction on taxpayers in the counties which will have to pick up this loss of revenue. The testimony was that 40% of these trucks are farm vehicles. Most farmers get a fuel tax break on a flat rate system anyway. He will vote against this bill for these reasons mentioned.

Senator Halligan asked what the impact of the 3 cent diesel tax increase would be on the trucking industry if HB 136 is passed.

Ben Havdahl said on 17 cents the total collected is \$19 million. With the 3 cent increase that would be more than a \$3 million increase.

Senator Severson said it is unfair to relate diesel tax to personal property tax. He thinks that 16%, as far as trucks are concerned, is way out of line. In looking at the fairness issue, trucks are taxed at 16% of value and farm equipment is taxed at 11%. Trucks are taxed higher than railroads and they are comparable to railroads as carriers. It is unfair to tax trucks in the state of Montana at 16% of their value and railroads in the neighborhood of 12%.

Senator Eck is in agreement with Senator Severson that this is not a fair tax that the trucks have now but she is uncomfortable about passing this bill at this time. She still feels the committee needs to look at the total amount of property tax relief we are going to give.

Senator Severson's motion that SB 44 DO PASS AS AMENDED carried 7-4. See attached roll call vote sheet.

FURTHER CONSIDERATION OF SB 228: Senator Halligan made a motion to amend SB 228 per attached Exhibit 2. These amendments were presented by Senator Van Valkenburg at the hearing on this bill. The motion carried.

Senator Halligan made a motion that SB 228 DO PASS AS AMENDED.

Senator Brown said this concept was one that was considered in June. We went along with the quick fix and temporary fix to the budgetary problems then. He expressed disappointment with the Governor in looking at this method instead of looking further into the future.

Senator Eck said this bill does sunset June 30, 1989. When this same bill was before this committee during the special session there was an amendment to provide for a pay back and she thinks that would be appropriate now.

Senator Mazurek said that was discussed but the bill did not pass with that language.

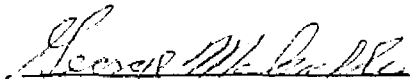
Senator Halligan said we will never repay this so why even talk about it.

Senator Brown said he thinks we have just violated the trust by doing this more or less on a permanent basis. This is a long term decision that we will violate the educational trust.

Senator Lybeck said the Governor does realize what we are doing to school districts in taking funds from them. You have to realize and recognize that we are in tough times and this is one of the measures that we have to take. If things improve we would look at this totally differently in two years.

Senator Halligan's motion failed on a tie vote 5-5. See attached roll call vote sheet. Senator Hirsch had to leave the hearing early.

ADJOURNMENT: The meeting adjourned at 9:05 A.M.


SENATOR McCALLUM, Chairman

ah

AMENDMENTS TO SB 228
(Introduced Bill)

1. Page 16.
Following: line 2
Insert: "NEW SECTION. Section 12. Coordination instruction. If section 3 of this act and House Bill No. 12 are both passed and approved, the amendment to 20-9-343 (3)(c) contained in House Bill No. 12 is void."
Renumber: subsequent sections
2. Page 16, line 10.
Following: "March 31,"
Strike: "1986"
Insert: "1987"
3. Page 16, line 16.
Following: "approval"
Insert: "or April 1, 1987, whichever occurs later"

SENATE TAXATION

EXHIBIT NO. 2

DATE 2-4-87

BILL NO. SB-228

2-3-87
Senator Van der Kerkhof

ROLL CALL VOTE

SENATE COMMITTEE TAXATION

Date February 4, 1987 Bill No. SB 228 Time 9:05 A.M.

NAME	YES	NO
SENATOR CRIPPEN	EXCUSED	
SENATOR NEUMAN	✓	
SENATOR SEVERSON	✓	
SENATOR LYBECK	✓	
SENATOR HAGER		✓
SENATOR MAZUREK	✓	
SENATOR ECK		✓
SENATOR BROWN		✓
SENATOR HIRSCH	EXCUSED	
SENATOR BISHOP		✓
SENATOR HALLIGAN, VICE CHAIRMAN	✓	
SENATOR McCALLUM, CHAIRMAN		✓

Aggie Hamilton
Secretary

Senator George McCallum
Chairman

Motion: Senator Halligan's motion that SB 228 DO PASS AS AMENDED.

Motion failed 5-5.

FURTHER CONSIDERATION OF SB 266: Senator Eck said in talking with Mr. Abrams, he has worked with Washington and New Mexico where they just encourage the wine industry and have a number of small industries with this wine business. We could hassle them so much it would not be worth doing business.

Senator Mazurek said if they sell the wine at retail at the winery he would assume they would have to pay taxes. He doesn't think they would object to that.

Senator Crippen said in California all the wineries have a retail area and a sampling area.

Jim Lear said 16-1-411 sets forth the tax on wine, but because there hasn't been a winery in the state, there hasn't been the need for a tax on wine sold by a winery in the state.

FURTHER CONSIDERATION OF SB 228: Senator Halligan made a motion that SB 228 DO PASS AS AMENDED.

Senator Brown said we tapped the Education Coal Trust, which is a statutory trust and not a constitutional trust, as a temporary quick fix during the special session and now we are continuing that temporary quick fix to the state's problem into the regular session. We are trying to get the full view on how we want to fix the problem. He is not sure that spending the savings account in the short term, to try to deal with a long term problem, is the answer. He believes this bill should rest in committee for awhile.

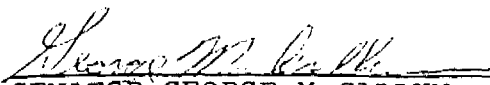
Senator Halligan said there is no way the money will be available unless we use the savings account.

Senator Crippen is in agreement with Senator Brown.

Senator Eck said once we have dealt with how we are going to address our long term problem and then we need a short term fix for right now, she thinks she might change her mind and vote with this bill.

Senator Halligan withdrew his motion.

ADJOURNMENT: The meeting adjourned at 9:15 A.M.


SENATOR GEORGE McCALLUM, Chairman

appropriations to do that. This bill would apply to present check-offs and to future check-offs and give statutory spending authority.

Senator Severson made a motion that the committee request a committee bill as outlined by Jim Lear. The motion carried with committee members present. Senators Mazurek and Brown were not at the meeting at the time of this vote.

DISPOSITION OF SENATE BILL 228: Senator Halligan moved that Senate Bill 228 DO PASS AS AMENDED.

Senator Crippen asked Senator Van Valkenburg to explain this bill.

Senator Van Valkenburg said this is a bill that transfers money that would be going into the education and local impact accounts into the general fund and also takes the interest money that is plowed into the permanent trust fund, 15% of the interest from the permanent trust, and transfer that to the general fund. This would amount to about a \$38 million impact to the general fund for FY '87, FY '88 and FY '89. We have to make some steps to move toward balancing the budget, and this is an important step.

Senator Crippen asked if there was any thought down the line to replace this revenue.

Senator Van Valkenburg said if you mean treating this as a loan and then paying it back, no, that was not considered.

Senator Crippen said then by doing this, we are putting the ills of the government on the backs of education. He is in a quandary as to why we are so anxious to invade this particular trust. Senator Keating's bill would also deal with a trust that would essentially provide money to the general fund to help solve some of the problems we are facing - the permanent coal trust. He asked Senator Van Valkenburg if he could see the logic of the difference.

Senator Van Valkenburg said he is trying to find a practical way to balance the budget. There really is no strong opposition to taking this step. He thinks it makes sense to use money that is flowing into that trust rather than going in to the corpus of the trust.

Senator Severson opposes taking this money and putting it in the general fund. He said it should be used for education as it was intended.

Senator Van Valkenburg said we have to appropriate \$94 million

to the general fund to have a 0-0 in the foundation program this year. That is where it is going.

Senator Eck said she hadn't voted for this before and still doesn't like it, but will vote for it in committee to get it onto the Senate floor.

Senator Crippen asked what the original intent of the trust was - for what purpose was the income designed.

Senator Van Valkenburg did not know.

Senator Crippen asked Terry Johnson what is the trust used for now.

Terry Johnson said part of the funds go to the state education. Basically, education, but some to the foundation program.

Senator Crippen said the trust was set up for the income to be used for education.

Senator Halligan's motion carried with Senator Hager opposed and Senator Mazurek and Senator Brown absent.

DISPOSITION OF SENATE BILL 389: Senator Lybeck furnished the committee with amendments to this bill, which are attached as Exhibit 3.

Jim Lear explained that the amendments would change the four figures that appear in the category subsections, and the change would be 30% of the figure that is first written in the bill in each of the four subsections. Additionally, this amendment would add a new subsection which gives special treatment for school buses under subsection (e).

Senator Lybeck said in working with the committee, he thinks we are trying to reach a fair settlement on this permit system. Liquid petroleum gas is only about 3/4 as efficient as regular gasoline powered vehicles on a per gallon basis, and for that reason we felt a 1/4 reduction was appropriate. As an incentive for them to use clean burning fuel, we reduced that an additional 5%. That was the reason for the 30%. In relation to the school buses, a lot of the bids have been established, and it was felt it would not be appropriate to increase this for them. Senator Lybeck made a motion that the amendments be adopted.

Senator Hirsch said the school buses will be getting a hefty break.

STANDING COMMITTEE REPORT

March 10

19 87

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration SENATE BILL No. 223

First reading copy (white)
color

REVISE ALLOCATION OF COAL SEVERANCE TAX PROCEEDS

Respectfully report as follows: That SENATE BILL No. 223

be amended as follows:

1. Page 16.

Following: line 2

Insert: "NEW SECTION. Section 12. Coordination instruction.

If section 3 of this act and House Bill No. 12 are both passed and approved, the amendment to 20-9-343 (3) (c) contained in House Bill No. 12 is void."

Renumber: subsequent sections

2. Page 16, line 19.

Following: "March 31,"

Strike: "1986"

Insert: "1987"

3. Page 16, line 16.

Following: "approval"

Insert: "or April 1, 1987, whichever occurs later"

AND AS AMENDED

DO PASS

~~DO NOT PASS~~

SENATOR McCALLUM,

Chairman.

STATUS SHEET

50th LEGISLATIVE SESSION

TAXATION

COMMITTEE

SENATE BILL NUMBER	ENTERED COM. DATE	DATE CON- SIDERED	OUT OF COM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMENDED DATE	DO NOT PASS AS AMENDED DATE	BE CON- CURRED IN DATE	BE NOT CON- CURRED IN DATE	BE CON- CURRED IN AMENDED DATE	BE NOT CONCURR IN AS AMENDE DATE
122	2/4/87	2/17/87						2/20/87			
129	2/4/87	3/5/87	4/6/87	tabled							
145	2/11/87	3/16/87						3/25/87			
146	2/11/87	3/16/87						3/25/87			
147	2/11/87	3/16/87						3/25/87			
150	2/23/87	3/13/87	4/8/87	tabled							
162	2/23/87	3/ ²⁶ ~~17~~ /87						4/9/87			
177	2/23/87	3/17/87						4/6/87			
179	2/23/87	3/17/87	4/10/87	tabled							
183	3/3/87	3/25/87								4/10/87	
200	2/23/87	3/12/87								4/10/87	
224	2/18/87	3/18/87						4/7/87			
228	3/13/87	3/30/87								4/9/87	
266	2/23/87	3/18/87						4/6/87			

Use a separate sheet for Senate Bills, House Bills, and Resolutions.

Jack Brown, Cut Bank Gas Service, told the Committee he would like to see the effective date amended from January 1, 1988, to July 1, 1987 (Exhibit #8).

Jesse Munro, DOH, said the bill can be adjusted to allow for quarterly payments, and that changing the effective date would make the bill cleaner.

OPPONENTS OF SENATE BILL NO. 389: There were no opponents of the bill.

QUESTIONS ON SENATE BILL NO. 389: There were no questions on Senate Bill no. 389.

CLOSING ON SENATE BILL NO. 389: Sen. Lybeck asked Rep. Williams to carry the bill, if it passes out of committee.

CONSIDERATION OF SENATE BILL NO. 228: Sen. Fred Van Valkenburg, Senate District #30, sponsor of SB 228, said the bill revises allocation of coal severance tax proceeds. He explained that 15 percent of the flow to the educational trust would be plowed back into the permanent trust fund after the 1989 biennium, and that the remaining 15 percent would go to the general fund.

Sen. Van Valkenburg advised the Committee that, in 1983, the Legislature changed 15 percent of interest earned to go back to the permanent trust fund, and that he believes the action proposed in the bill is the most appropriate area in which to take temporary action to meet state budgeting needs. He said the bill would, secondly, transfer local impact dollars to the general fund, which is amenable to the Coal Board, and commented that transferring funds to the education trust fund is clearly justified. Sen. Van Valkenburg stated some type of tax increase is necessary before the session ends, and provided proposed amendments to the bill (Exhibit #9).

PROPONENTS OF SENATE BILL NO. 228: Dave Hunter, OBPP, told the Committee SB 228 is a major piece of the Governor's legislation to balance the budget, and represents about \$38 million. He said science and technology funding is already appropriated in HB 2, and commented that there have been two sessions of highway funding problems, with coal mined in April, May, and June, for which payment is not made until August. He stressed the intent of the bill needs to be clearly stated in the law, and that although the bill means no major policy changes, it provides for more dollars to the general fund without a tax increase.

Murdo Campbell, Chairman Montana Coal Board, told the Committee he was appearing at the request of members of the Board, who felt obligations to large-scale operators in the

state had lessened, and that there would be adequate funding to meet current obligations, as well as meet the funding transfer requested by the Governor. Mr. Campbell asked the Committee to support the bill.

OPPONENTS OF SENATE BILL NO. 228: Eric Feaver, Montana Education Association, said he was opposed to the bill in principle, but held a lukewarm position on the bill. He said he would quibble with the notion that the bill is temporary, as "a cap on the educational trust is tantamount to the education trust".

Gary Fjelstad, Treasurer County Sheriff, told the Committee Eastern Montana received a grant five years ago to work undercover drug and crime operations and have made more than 300 felony cases, as well as confiscating millions of dollars in illegal drugs and goods. He said county officials fear that if SB 228 passes, he won't continue to receive matching funds at 25 percent from the Coal Board, and that he would hate to see the program disbanded.

QUESTIONS ON SENATE BILL NO. 228: Rep. Asay asked how much the counties needed to meet the federal match. Mr. Fjelstad replied they need about \$76,000 annually. Murdo Campbell advised that the Board has about \$271,000 remaining, less \$150,000 in administrative expenses, leaving more than \$100,000 for such requests. He commented a year ago, the Board saved about \$40,000 in administrative costs. Dave Hunter added that any dollars not used by the Coal Board revert to the education trust.

Rep. Sands said there was no reallocation in the title of the bill for money going to highways, and asked how the Committee can transfer those funds as originally proposed, with a new gas tax increase. Dave Hunter replied that by leaving coal dollars in the highway fund, additional dollars are provided for that purpose.

Rep. Raney asked how badly the highway reconstruction trust fund (RTF) would be hurt. Dave Hunter replied that amount is estimated to be 12 percent of receipts in FY88, or about \$9 million annually, and said total coal tax collections are anticipated to be about \$80 million annually. He advised that the education trust fund is primarily for the foundation program, WICHE, and WAMI.

Rep. Asay asked how often the Coal Board meets. Murdo Campbell replied the Board must meet at least quarterly to address administrative situations.

Rep. Williams asked if local impact and education trust dollars would be transferred to the educational trust. Sen.

Van Valkenburg replied that would be correct, and said it was being done to reduce economic stress to schools.

Rep. Sands asked why the same proposal was not used with alternative energy resources. Sen. Van Valkenburg replied he would have to ask the Governor's Budget Director, Dave Hunter.

Rep. Gilbert asked for an explanation of the second proposed amendment. Sen. Valkenburg replied that line 16, page 1, clarifies the lag between the time when severance taxes are due, and when they are collected, to keep the highway program whole.

Rep. Asay asked how much funding would remain with the Coal Board. Sen. Van Valkenburg replied it would remain at 1.25% until July, 1989.

Rep. Raney asked if the bill were not taking interest from both the educational trust and the permanent trust. There was no response.

CLOSING ON SENATE BILL NO. 228: Sen. Van Valkenburg was recalled to the Senate chambers and made no closing comments.

ADJOURNMENT: There being no further business before the Committee, the meeting was adjourned at 11:50 a.m.


Representative Jack Ramirez,
Chairman

DAILY ROLL CALL

HOUSE TAXATION COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date March 30, 1987

NAME	PRESENT	ABSENT	EXCUSED
REP. RAMIREZ	✓		
REP. ASAY	✓		
REP. ELLISON	✓		
REP. GILBERT	✓		
REP. HANSON	✓		
REP. HARP	✓		
REP. HARRINGTON	✓		
REP. HOFFMAN	✓		
REP. KEENAN	✓		
REP. KOEHNKE	✓		
REP. PATTERSON	✓		
REP. RANEY	✓		
REP. REAM	✓		
REP. SANDS	✓		
REP. SCHYE	✓		
REP. WILLIAMS	✓		

EX 9
V. Vall
+OBPP

#7
3-30-87
SB 228

AMENDMENTS TO SENATE BILL NO. 228
(3rd Reading Copy)

1. Title, line 12.
Following: line 11
Insert: "AN"
Following: "APPLICABILITY"
Strike: "DATES"
Insert: "DATE"
Following: "AND"
Strike: "AN IMMEDIATE"
Following: "EFFECTIVE"
Strike: "DATE"
Insert: "DATES"
2. Page 1, line 16.
Following: "taxes."
Insert: "Severance taxes collected under this chapter must be allocated according to the provisions in effect on the date the tax is due pursuant to 15-35-104."
3. Page 4, line 15.
Following: "1983"
Strike: "1990"
Insert: "1989"
4. Page 15, line 2.
Following: "~~the~~"
Strike: "The"
Insert: "Beginning July 1, 1989, the"
5. Page 16, lines 13 through 16.
Following: "Applicability." on line 13
Strike: subsection 1 in its entirety
6. Page 16, line 17.
Following: line 16.
Strike: "(2)"
7. Page 16, lines 19 through 21.
Following: "date." on line 19
Strike: remainder of line 19 through "LATER" on line 21
Insert: "(1) Sections 2, 8, 14, and this section are effective on passage and approval.
(2) All other sections are effective on July 1, 1987"

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3-30-87
SB 228

EX 10
-50
murdo
SB 228

TESTIMONY IN SUPPORT

OF SENATE BILL 228

House Taxation Committee

Monday, March 30, 1987

Mr. Chairman and Members of the Committee.

My name is Murdo A. Campbell and I am the Administrative Officer of the Montana Coal Board.

I am appearing before the committee this morning in support of Senate Bill 228 at the request of Chairman Hershel Robbins and the other members of the Montana Coal Board.

On November 21, 1986 the Montana Coal Board passed a resolution, a copy of which is attached with my submitted written testimony, which recommended to Governor Schwinden that he propose a decrease in the amount of coal severance tax funding available to the Coal Board from 6.65% to 1.25% for FY'88 and FY'89. This action, which would free up some \$8.6 million dollars to help alleviate state revenue shortfalls over the next biennium, was based on two conditions existing after the Coal Board assessed its program. First, it was felt that the Board's obligation to assist local governments, especially for major projects, that were currently impacted by large scale coal development had lessened due to a lull in coal production in Montana and secondly, the

remaining funds would allow the Board to meet current obligations and still fund some viable coal impacted grant requests. The Governor incorporated this recommendation into his executive budget and Senate Bill 228 is the measure that accomplishes this funding transfer. The Montana Coal Board is confident that with the passage of this bill to supplement state government in its time of financial need it will still provide sufficient funding for the Board to operate efficiently and effectively over the next biennium. The Montana Coal Board respectfully seeks your favorable endorsement of this measure. Thank you.

**A RESOLUTION OF THE MONTANA COAL BOARD RECOMMENDING THE DECREASE OF
FUNDING FOR THE IMPACT ASSISTANCE PROGRAM FOR FY '88 AND '89
AND PLACING THESE FUNDS AT THE DISCRETION OF THE GOVERNOR
TO HELP MEET THE STATE'S REVENUE NEEDS**

WHEREAS, the Montana Coal board members are duly appointed by, and serve at the pleasure of, the Governor and are confirmed by the Montana Senate; and

WHEREAS, the Montana Coal Board's purpose is to administer the Local Impact Assistance Program; and

WHEREAS, the purpose of the Local Impact Assistance Program is to assist local governmental units which have been required to expand the provision of public services as a consequence of large scale coal development; and

WHEREAS, the Montana Coal Board believes the impact of decline issue is a future major concern, and a provision for its consideration should be adequately addressed to resolve this vital issue; and

WHEREAS, the Montana Coal Board shall award grants and loans from the revenue paid into the Local Impact and Education Trust Fund Account for FY '88 and FY '89; and

WHEREAS, the Montana Coal Board's obligation to assist the local governments in Montana impacted by large scale coal development has lessened due to the current reduction in coal production due to various nationwide and worldwide economic factors; and

WHEREAS, the Montana Coal Board is statutorily mandated to meet quarterly during FY '88; and FY '89 and is obligated for a final single payment of \$712,650 to the Yellowstone County jail project from FY '88 funds; and anticipates future consideration of viable funding requests for continuation of ongoing projects and programs; and

WHEREAS, the Montana Coal Board recognizes the very real need for revenue to supplement the state general fund during the coming biennium.

NOW, THEREFORE, BE IT RESOLVED, that the Montana Coal Board recommend that the Governor propose a decrease in the amount of funding available to the Coal Board from 6.65% to 1.25% which will provide approximately \$4 million for FY '88 and \$4.7 million for FY '89, for a total of \$9.3 million of relief for the general fund, for use in facing anticipated revenue shortfalls in the upcoming biennium.

The remaining projected receipts available to the Coal Board will be \$1.8 million to fund current obligations and to consider future grant requests.

PASSED, ADOPTED, AND APPROVED by the Montana Coal Board on this 21st day of November, 1986.

MONTANA COAL BOARD

HERSHEL M. ROBBINS, Chairman

NELL KUBESH, Vice-Chairman

DARCY GALASSO

JACK G. STEVENS

MONTY LONG

DR. PAUL PALM

DR. DALE TASH

228

DATE March 30, 1987

SPONSOR Van Valkenburg

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MINUTES OF THE MEETING
TAXATION COMMITTEE
HOUSE OF REPRESENTATIVES
50TH LEGISLATIVE SESSION

April 9, 1987

The meeting of the Taxation Committee was called to order by Chairman Ramirez on April 7, 1987, at 8 a.m., in Room 312B of the State Capitol.

ROLL CALL: All members were present, except Reps. Harp and Schye, who were excused. Also present was Greg Petesch, Director of Legal Services, Legislative Council.

DISPOSITION OF SENATE BILL NO. 22: Rep. Ream made a motion that SB 22 BE CONCURRED IN AS AMENDED. The motion CARRIED unanimously. Rep. Harp was asked to carry the bill.

DISPOSITION OF SENATE BILL NO. 228: Rep. Keenan made a motion that SB 228 BE CONCURRED IN.

Greg Petesch advised that Sen. Van Valkenburg had an amendment to change the date on page 4, line 15, from 1990 to 1989. He commented the remainder of the amendments would change the effective and applicability dates.

Rep. Keenan made a motion to approve Sen. Van Valkenburg's amendments. The motion CARRIED unanimously.

Rep. Gilbert asked for an explanation of line 18 on page 2 of the bill. Greg Petesch said the bill splits education and local impact accounts into separate accounts, at a \$17.5 million impact, and would provide 20 percent to education. He explained it allows the coal board to award funds they don't need over the coming biennium.

Rep. Gilbert stated he was concerned with the loss of highway funding. Greg Petesch advised that highway funding is addressed on page 2, lines 2-5.

Chairman Ramirez stated an amendment is necessary to show that 6 percent would continue to be deposited until June 30, 1987.

Rep. Sands advised that amendment #7, states sections 2, 8, and 14 are effective on July 1, 1987, and should cover the situation.

Rep. Patterson stated the bill makes a major change to the coal trust, as only the principal deposited will go to the trust.

Chairman Ramirez asked how the bill would affect the water bond program. Greg Petesch replied that, currently, 15 percent of the interest is reinvested into the permanent fund, and water bonds are reinvested before they go to the trust fund. He stated it is his understanding that 15 percent was for an interim study to prevent erosion of the corpus.

Rep. Asay said he had a problem with taking dollars for criminal investigation of drug traffic, and that he had an amendment to leave 1 percent of the funds for this program. He commented it would involve about \$800,000 for the biennium.

Rep. Raney asked Gary Carroll, if the Coal Board had enough money to run the drug operation in five counties. Mr. Carroll replied the only funding comes from the Coal Board right now, and that \$300,000 is needed to fund the program each year.

Rep. Asay made a motion to change line 14, on page 2 to 4 percent and to take \$600,000 from the general fund and leave it in the coal impact fund for investigation of drug trafficking.

Murdo Campbell commented that if the money is available, he would have to consider that task force along with other requests, so it should be spelled out, if that is the intent of the Committee.

Rep. Ellison commented that if the money is set aside without being earmarked, he believed the Coal Board would be bound to consider all requests for funding.

Rep. Keenan said she believes it is poor public policy to throw intentions into the minutes, rather than making them a part of the bill.

Rep. Sands stated it is not a new program, and the local impact account goes down from \$5 million to \$983,000 annually.

Rep. Asay stated the 4 percent allocation for the task force does not need to be specified in the bill. Rep. Sands replied he didn't believe it appropriate to earmark a special program in the statute, and that he would object to the motion.

Rep. Raney said he feared that what Rep. Keenan alluded to was true, and that the Committee needs to find out what rock bottom is from Gary Carroll. Mr. Carroll replied he has five agents right now, but does not want to take the responsibility of operating with less than four agents, and

about \$60,000 less in funding. He said the counties still have to come up with a 20 percent match, which has been approved in the Appropriations budget process.

Chairman Ramirez asked if one-half of 1 percent would provide adequate funding, because it would raise about \$401,000. Murdo Campbell advised that 3.3 percent is 1.25 percent of the 50 percent allocated, and that it could be reduced to 2.64 percent.

Terry Johnson, OBPP, said the fiscal note is based on Revenue Estimating Advisory Council figures, as well as those of the Revenue Estimating Subcommittee. He explained that those figures are \$55 million in FY88 and \$60-61 million in FY89, which is a large difference. He added that 1 percent on half of the allocation would raise \$55,000.

Chairman Ramirez asked if the Committee would then need to set aside seven-tenths of 1 percent to raise \$200,000. Mr. Johnson replied that would be correct, and said it seems the Committee should not make a decision that this issue is a lower priority, which could be taken out later on in the process.

Rep. Williams said he didn't believe the Committee should put its intent in the minutes, concerning task force funding.

Rep. Asay withdrew his earlier motion and made a motion that the Committee approve seven-tenths of 1 percent for the task force. The motion CARRIED with all members voting aye, except Rep. Keenan, who voted no.

Rep. Asay made a motion that SB 228 BE CONCURRED IN AS AMENDED. The motion CARRIED, with all members voting aye except Rep. Keenan, who voted no. Rep. Asay agreed to carry the bill.

DISPOSITION OF SENATE BILL NO. 162: Rep. Williams made a motion that SB 162 BE CONCURRED IN, and said this is the only bill which attempts to address the situation of delinquent taxes, that has met with the approval of most of the county treasurers and assessors.

The motion made by Rep. Williams CARRIED unanimously.

DISPOSITION OF SENATE BILL NO. 74: Rep. Sands made a motion that SB 74 BE CONCURRED IN.

Rep. Ream attempted to explain the differences in the fiscal notes between SB 74 and HB 904. He said the bill would cost \$1.956 million with no exemptions, and \$5.2 million on the

STANDING COMMITTEE REPORT

Page 1 of 2

APRIL 9

19 87

Mr. Speaker: We, the committee on HOUSE TAXATION

report SENATE BILL NO. 228

☐ do pass
☐ do not pass

☒ be concurred in
☐ be not concurred in

☒ is amended
☐ statement of intent attached

Be amended as follows:

Representative Jack Ramirez, Chairman

1. Title, line 12.

Following: line 11

Insert: "AN"

Following: "APPLICABILITY"

Strike: "DATES"

Insert: "DATE"

Following: "AND"

Strike: "AN IMMEDIATE"

Following: "EFFECTIVE"

Strike: "DATE"

Insert: "DATES"

2. Page 1, line 16.

Following: "taxes."

Insert: "Severance taxes collected under this chapter must be allocated according to the provisions in effect on the date the tax is due under 15-35-104."

3. Page 2, line 14.

Strike: "3.31"

Insert: "44"

4. Page 4, line 15.

Following: "1983"

Strike: "1990"

Insert: "1989"

5. Page 15, line 2.

Following: "the"

Strike: "The"

Insert: "Beginning July 1, 1989, the"

6. Page 16, lines 13 through 16.

Following: "Applicability." on line 13

Strike: subsection 1 in its entirety

7. Page 16, line 17.

Following: line 16

Strike: "(2)"

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color

April 9 1987

3. Page 16, lines 19 through 21.

Following: "date." on line 19

Strike: remainder of line 19 through "LATER" on line 21

Insert: "(1) Sections 2, 8, 14, and this section are effective on passage and approval.

(2) All other sections are effective July 1, 1987"

Amendments, SB 228

7099e/C:JEANNE\WP:jj

REPRESENTATIVE JACK DANIRSZ,

Chairman.